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STATE FOR WHA AND WHA/BSC

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SUBJECT: BRAZIL: SCENESETTER FOR AUGUST 4-6 VISIT OF
NATIONAL SECURITY ADVISER GENERAL JAMES JONES

Classified By: DEPUTY CHIEF OF MISSION LISA KUBISKE,
REASON 1.4 (b) and (d)

¶1. (C) Summary: The relationship between the United States and Brazil is as productive and broad-based as it has ever been in recent decades, the result of the cordial personal connection already established between President Obama and President Luiz Inacio Lula da Silva, which is building on Lula's excellent relationship with former President Bush. New cooperation mechanisms on biofuels, business issues, and economic matters, and our shared goals of fostering hemispheric stability, promoting democracy, developing a consensus on next steps regarding climate change, and achieving a mutually satisfactory conclusion to the Doha round of WTO negotiations have fostered the view in Brazil that relations between our two countries are closer than ever. Brazil appears to be headed for a rapid recovery from the effects of the global financial crisis, and Lula remains as popular as ever as the country turns its focus to the race to succeed him in January 2011.

¶2. (C) Internationally, U.S.-Brazil cooperation is often limited by the GoB's unwillingness to speak out against anti-democratic actions in the hemisphere (Venezuela and Cuba), take proactive steps to address key issues such as nuclear proliferation and counterterrorist concerns, and expand its international leadership in meaningful ways. However, military-to-military relations are good and growing, and most of the Brazilian military understands the potential benefits of partnership with the United States, including through the purchase of Boeing's F-18 fighter, which is a competition with French and German aircraft that will likely be finalized over the next month. At the operational level, cooperation on law enforcement issues, such as counternarcotics, container security, and intelligence sharing, is excellent and improving. As the most senior official of the Obama Administration to visit Brazil, your visit provides an opportunity to highlight the importance to the United States of our bilateral partnership with Brazil and to explore new avenues for cooperation. End Summary.

Lula Popular, But What Comes Next?

¶3. (C) With approval ratings above 70 percent, President Lula's popularity has dropped only slightly from its high point earlier this year as a result of the effects of the global downturn on Brazil. Continuity and legacy have been the guiding lights of Lula's second term. Lula continues to shape his legacy as a friend of the poor and builder of a foundation for prosperity for the lower and middle classes through broad social welfare programs and a vast, new economic growth program of public works and growth

incentives. At the same time, Lula has failed to promote needed reforms to abolish a political culture of corruption, clientelism, and spoils. This was highlighted recently by Lula's public support for embattled Senate President, and former President of Brazil, Jose Sarney, who is embroiled in a nepotism scandal involving secret deals by him and other senators to obtain comfortable, high paying jobs on the senate payroll for close family members and other, more distant relatives. This is but the latest in a seemingly endless series of corruption scandals, none of which has dented Lula's personal popularity or that of his government. At the same time, these scandals have felled political allies, including cabinet ministers, in recent years.

¶4. (SBU) President Lula and his economic team's prudent fiscal and monetary policies and reform efforts are a major reason for his popularity, and have resulted in Brazil's position as one of the ten largest economies in the world, with a trade surplus and BB-plus credit rating. Prior to the financial crisis, exports and investment inflows grew steadily, as did Brazil's currency, the Real, allowing the government to pay down its external debt. Annual GDP growth grew 5.1 percent in 2008, and inflation was 5.8 percent. Prospects for 2009 have been dimmed by the global economic crisis, which is likely to reduce annual GDP growth for 2009 from a predicted 4 percent to essentially flat. Despite this decline in immediate prospects, Brazil has thus far weathered the crisis better than many major economies, due in large part to its conservative macroeconomic policies and highly regulated banking sector. Brazil is already showing signs of an early recovery, and is making the most of its new-found economic leadership. The GOB recently announced a loan to

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the IMF and has played a major role in the post-financial crisis restructuring effort, particularly through the G-20.

¶5. (SBU) Still, Brazil faces major structural challenges to long term growth. Access to credit is difficult and, although interest rates have dropped significantly in response to the financial crisis, traditionally Brazil's real interest rates are among the highest in the world. The informal sector constitutes an estimated 40 percent of the economy, in part due to the tax burden (34.2 percent of GDP in 2006), one of the highest among large developing economies. Brazil's opaque and onerous regulatory and legal system, as well as poor transportation and other infrastructure, continue to constrain growth.

¶6. (SBU) The presidential election campaign to choose Lula's successor is already well under way, unofficially, affecting most major GOB decisions. Fifteen months out from the October 2010 elections, the two principal candidates are Lula's "prime minister" (Head of the Civilian Household), Dilma Rousseff, and the opposition governor of Sao Paulo state, Jose Serra. Although Serra currently has a significant lead in the polls, Brazilians are notoriously independent (only ten percent of voters have a party affiliation) and Rousseff, with the strong backing of Lula, is trying to regain ground after experiencing a setback because of uncertainties about her health after she was diagnosed with lymphatic cancer in March. She appears to be responding well to treatment and is back on the campaign trail, although the state of her health is being closely followed by the press and public. Serra is also facing a strong challenge from the governor of Minas Gerais state, Aécio Neves. Whoever wins is likely to continue the sound economic management and aggressive international outreach that have characterized Lula's presidency.

¶7. (U) Despite a healthy economy and a slight drop in homicide rates that are some four times those of the United States, public opinion polls over the last several years consistently show that the top concerns for Brazilians remain public security and lack of jobs. These are normally followed by quality of health care and education, corruption,

low wages, and lack of opportunities for youth. These will likely remain issues heading into the 2010 presidential elections.

Foreign Policy: Expanding its Global Footprint

¶8. (C) Under Lula, Brazil's priority has been to solidify its regional leadership, deepen ties with traditional partners like the United States and Europe, and cultivate relations with a broader range of states. Despite a great deal of criticism from those in Brazil who question the value of this so-called South-South strategy, the GOB has expanded its diplomatic presence in Africa, Asia, the Middle East, and the Caribbean and has promoted cross-regional meetings such as the Arab States-South America Summit, the Africa-South America Summit, the BRICs (Brazil, Russia, India, China) meetings, and the IBSA (India, Brazil, South Africa) forum. Asserting that regional countries should be able to talk among themselves, Brazil has also sought to create new regional mechanisms, such as the Union of South American Nations (UNASUL), the South American Defense Council, and the Summit of Latin America and the Caribbean (CALC) that serve to strengthen its leadership in South America and the Western Hemisphere more broadly. With its eye on a permanent seat in the UN Security Council, Brazil has taken a more visible role on major international negotiations, including the Doha trade round, G20 discussions on the global economic crisis, and post-Kyoto climate change talks, taken the lead on peacekeeping in Haiti, and is seeking a role in the Middle East peace process.

¶9. (C) Regionally, Lula has maintained Brazil's historic focus on stability, seeing dialogue and good relations with all parties as the best way to achieve this goal. As a result, Brazil maintains an active dialogue with and refuses to criticize human rights violations in Venezuela and Cuba, has worked hard to restore relations with Bolivia even at the expense of its own economic interests, and stood firmly on the principle of respect for sovereignty, with only minimal mention of counterterrorism concerns, in responding to the 2008 dispute between Colombia and Ecuador.

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Foreign Policy: Cooperative Relations with China

¶10. (C) Sino-Brazilian relations are officially excellent, characterized by a booming economic relationship and a political relationship that has become increasingly closer, especially since the exchange of visits by Presidents Hu and Lula in 2004. The economic relationship is based on "complementarity," not competition: Brazil exports to China low value added commodities such as iron ore, soy, and petroleum, with these three commodities representing about 70% of the export value, while China exports high value added goods such as electronics and industrial equipment. In 2008 China surpassed the United States as Brazil's largest trading partner. There is some discontentment in the Brazilian private sector over the unbalanced trade relationship and low level of Chinese investment in Brazil, but both governments are taking a long-term view and believe a patiently constructed relationship will increasingly yield political and economic fruits. Brazil and China have designated each other a Strategic Partner. In 2006, they inaugurated the High Level Committee on Consultation and Cooperation (COSBAN), which meets biennially, and they agree to support each other in international organizations, work toward a successful conclusion of the Doha Round, and cooperate in many political areas to strengthen south-south relations and the voice of the developing world globally. Yet China does not support Brazil's top foreign policy goal: a seat on the UN Security Council.

Foreign Policy: "Balanced" Middle East Approach

¶11. (C) As part of its efforts to burnish its global leadership credentials Brazil has a relatively new but active Middle East agenda. Brazil prides itself on maintaining solid relationships with every country in the region and on maintaining an ability to "talk to all sides." During the Lula administration Brazil has been the driving force behind the establishment of the Arab-South America summit, which held its second presidential-level meeting in late March. Brazil is active in the Israel-Palestine peace process, having participated in the Annapolis peace conference and making its largest foreign aid pledge*USD 10 million*at the Sharm al-Sheikh donors conference in Egypt earlier this year for Gaza reconstruction. Brazilian officials see themselves as balanced in their dealings with Israel and the Palestinians, but they have yet to define a substantive role for Brazil. FM Amorim's suggestion that Iran, Syria, Hamas, and Hizbollah should be included in peace negotiations suggests continuing naivete regarding the peace process and Middle East relations.

¶12. (C) Brazil is expanding its relationship with Iran. An early-May visit by Iranian President Ahmadinejad to Brasilia -- following the first visits by each country's foreign ministers in almost two decades -- was cancelled the day before it was to take place, but may be back on the calendar in the near future, possibly followed by a Lula visit to Iran. Brazil likes to characterize its relationship with Iran as &normal8 -- one cognizant of Iran's troubled status within the international community, but that does not repudiate Tehran either. Brazil and Iran hold annual bilateral political talks, and FM Amorim has remarked that Brazil's growing "friendship" with Iran might prove useful should the United States, in the future, decide to engage Iran. However, the relationship is largely commercial. Iran has been the largest trading partner for Brazil in the Middle East and Brazil sees great potential to expand trade further.

Commodities currently dominate Brazilian exports to Iran, but Iran is interested in Brazilian machinery for the oil and gas industry, medical equipment, and engineering and construction services. The Brazilian Government is considering establishing a mechanism to assist in the financing of exports to Brazil in order to overcome Iran's difficulty in obtaining letters of credit. Petrobras and the GOB are both acutely aware of our concerns about their operations in Iran. They have reassured us at multiple junctures that they have no intention of further pursuing oil exploration activities there, in large part because the current arrangements required under the Iranian constitution provide only for foreign companies to act as service providers, an arrangement not commercially attractive to Petrobras as it draws down operations in many foreign markets

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and seeks to concentrate its resources on the daunting challenges of deep sea oil exploration at home.

¶13. (C) With regard to Iran's nuclear program, Tehran seeks out Brazil in order to draw parallels between Brazil's peaceful nuclear energy program and Iran's nuclear activities. Although Brazil voted in favor of referring Iran to the UN Security Council in February 2006, the GOB opposed the effort until the vote in the IAEA had become a foregone conclusion, when the PRC and Russia agreed to a western compromise proposal. Brazil did not vote to condemn Iran's nuclear activities until Iran missed the UN-mandated deadline for allowing international inspectors to visit suspicious nuclear facilities. As is often the case with its Mideast diplomacy, Brazil's pursuit of a "correct" relationship likely will continue to produce mixed results that at times will be at odds with the policy objectives of most Western countries.

Counterterrorism Overview

¶14. (S/NF) The primary counterterrorism concern for both Brazilian officials and the U.S. Mission in Brazil is the presence and activities of individuals with links to terrorism--particularly several suspected Sunni extremists and some individuals linked to Hizballah -- in Sao Paulo and other areas of southern Brazil. Despite publicly expressed sentiments of high-level officials denying the existence of proven terrorist activity on Brazilian soil, Brazil's intelligence and law enforcement services are rightly concerned that terrorists could exploit Brazilian territory to support and facilitate terrorist attacks, whether domestically or abroad, and have focused their efforts in the areas of Sao Paulo (where the vast majority of Brazil's estimated 1.2-1.5 million Muslims live); the Brazil,s tri-border areas with Argentina and Paraguay and with Peru and Colombia; and its borders with Colombia and Venezuela. Brazil's recognition of the potential threat from terrorism prompted a reform of the Brazilian Intelligence Agency (ABIN) that raised the profile of the issue by upgrading the counterterrorism division to the department level and establishing the Brazilian Intelligence System (SISBIN) -- an NCTC-like entity within ABIN to coordinate intelligence gathering and sharing across the GOB.

¶15. (C) During an early July 2009 hearing before a Congressional committee, the Brazilian Federal Police,s head of intelligence publicly admitted that an individual arrested in April for hate speech who the press had revealed to be linked to al Qaeda was indeed connected to the group, contradicting the government,s previous claims that there was no terrorism-nexus in the arrest. The arrested individual, Khaled Hussein Ali, who was released pending trial, was the global head of the Jihad Media Battalion and, according to the DPF, had performed duties for the terrorist group, ranging from propaganda, to logistics, recruitment, and other activities. Because Brazil lacks counterterrorism legislation, the DPF arrested him on charges of hate crimes, which carry a much lighter sentence.

¶16. (SBU) The Brazilian government continues to be a cooperative partner in countering terrorism and related activities that could contribute to the facilitation of attacks in the region or elsewhere -- to include investigating potential terrorism financing, document forgery networks, and other illicit activity. Operationally, elements of the Brazilian Government responsible for combating terrorism, such as the Federal Police, Customs, and to a lesser extent ABIN effectively work with their U.S. counterparts and diligently pursue investigative leads provided by U.S. intelligence, law enforcement, and financial agencies regarding terrorist suspects. The senior levels of the Brazilian government, however, publicly deny the possibility that terrorist groups or individuals connected to such groups operate or transit through Brazilian soil and vigorously protests any claims made by U.S. authorities to that effect.

¶17. (SBU) Brazil's overall commitment to combating terrorism and the illicit activities that could be exploited to facilitate terrorism is undermined by the GOB's failure to significantly strengthen its legal counterterrorism framework. Two key counterterrorism-related legislative initiatives continued to languish in 2009. An anti-terrorism

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bill that would have established the crime of terrorism and other associated crimes was drafted but shelved before its introduction in Congress and a long-delayed anti-money laundering bill has not been approved by Congress. If passed, the latter bill would facilitate greater law enforcement access to financial and banking records during

investigations, criminalize illicit enrichment, allow administrative freezing of assets, and facilitate prosecutions of money laundering cases by amending the legal definition of money laundering and making it an autonomous offense.

Economic Overview

¶18. (U) The United States is Brazil's top trading partner overall, and China has moved into first position as Brazil's primary export destination. Brazil is a major producer and exporter. Agriculture makes up 36 percent of exports, and the agribusiness sector accounts for 25% of Brazil's GDP. Brazil is a leading exporter of soybeans, beef, sugar, coffee, and orange juice. As a result of this prominence in agriculture, Brazil has developed expertise in agricultural research and extension services that provide opportunities for cooperation with the United States in third countries, especially in Africa, in areas such as food security.

¶19. (U) Brazil also distinguishes itself as a major exporter of civilian aircraft, steel, and petrochemicals. Foreign direct investment in Brazil is increasing, with inflows of USD 44 billion in 2008; USD 6.9 billion came from the United States. Brazilian investment in the United States almost tripled between 2001 (USD 1.4 billion) and 2006 (USD 3.9 billion). President Lula has been actively selling Brazil as a solid investment destination during the financial crisis due to its sound macroeconomic policies and relatively strong economy.

¶20. (U) Despite progress in recent years, income distribution in Brazil remains grossly unequal, with 10 percent of the population holding over 50 percent of the nation's wealth. With Latin America's largest population, it is home to 50 percent of the people who live in extreme poverty in the region. President Lula's social programs, combined with formal sector job growth and real increases in the minimum wage, have reduced income inequalities each year since 2004.

¶21. (U) Millions of Brazilians have moved into the middle class over the last few years. Nevertheless, roughly forty percent of the population lives in poverty, a problem that can only be addressed by sustained long-term growth. Unfortunately, major structural challenges to long-term growth include a complicated and onerous tax structure, high interest rates, and cumbersome labor and business regulations. As a result of its regulatory structure, Brazil ranks 125th in the World Bank Group's Doing Business assessment of regulatory climate in 181 countries. The informal sector (one of the largest among large developing economies) constitutes an estimated 40 percent of Brazil's economy, in large part in response to the onerous tax and regulatory requirements to participate in the formal economy. President Lula has vigorously pursued a national Growth Acceleration Program (PAC) to increase infrastructure investment in energy, transportation, and sanitation/housing, a program that has received increased funding as a countercyclical measure in the face of the economic crisis.

¶22. (U) President Lula, taking a leading role in the debate over how to handle the economic crisis including through the G20 process, has criticized actors in developed countries for sparking a crisis that affects developing countries. He has called for increased regulation of the global financial system, increased global access to trade finance, and an expanded role for large emerging countries like Brazil in international financial institutions such as the International Monetary Fund. Both as an advocate for developing nations, concerns and as a partner in our efforts to shore up the global financial system, Brazil has become a leader and a largely constructive advocate in the ongoing debate over reform. The government has reacted to the economic downturn thus far with a series of actions aimed at increasing liquidity in the banking system, stimulating growth through a series of targeted tax cuts, and seeking to

shore up exports.

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Energy: Beyond Biofuels

¶23. (U) Brazil and U.S. energy cooperation has evolved from its initial focus on biofuels, under the 2007 Biofuels MOU, to a point where we are now considering cooperating in almost every aspect of the energy sector. Brazil is looking to become a major strategic player in energy, building on its current status as the leading exporter of ethanol and becoming a potential exporter of oil as it explores its vast pre-salt resources recently discovered offshore. We have common interests in many areas and Brazil believes it has much to teach us in areas ranging from incorporating biofuels into the national energy matrix, to long-line transmission, to how to make use of the hydro potential in the United States. They are also eager to cooperate with us in bringing energy to third countries.

¶24. (U) The convergence of our interests offers opportunities to enhance both countries, national energy security and open up positive relations in the hemisphere and other places in the developing world. Based on recent high-level meetings, including your meeting with Energy Minister Lobao, we are now working to define a list of initiatives for our energy cooperation. The possibilities are numerous and include: oil and gas, with financing and R&D cooperation, as well as possible work to prevent the flaring of natural gas from the pre-salt reserves; biofuels, under the 2007 MOU, continued R&D, standards harmonization, and third country outreach; nuclear, sharing experiences on creating an independent regulator and new licensing experiences, as well as addressing the strong Brazilian interest in enrichment and waste disposal technologies; wind and solar, new areas of interest for cooperation based on a recent Brazilian visit to our National Renewable Energy Laboratory; and clean coal, as Brazil seeks to maximize all aspects of their energy matrix, they are very interested in developing clean coal technology.

¶25. (U) Internationally, in addition to continued collaboration in helping third countries develop their own biofuels capabilities, we have agreed to work together on hydropower in Haiti. Brazil is also leading an initiative under the Energy and Climate Change Partnership of the Americas to bring energy efficiency technologies to low income housing and urban transport. Energy Minister Lobao is ready to work with us to further energy cooperation hemispherically and has offered to co-host a regional energy event.

A Major Player on Global Environment and Climate Change Issues

¶26. (U) Brazil is the seventh largest emitter of greenhouse gases and the 74th largest emitter in per capita terms based on 2005 data. The Brazilian government calculates that the vast majority of the country's green house gas emissions come from Amazon deforestation. This is changing as the deforestation rate declines and emissions from industry and the rest of the economy grow. Post estimates that by 2015 other sources of greenhouse gas emissions will surpass the quantities released due to deforestation. Brazil is a relatively "green" country in terms of power generation with hydropower providing around 85% of Brazil's electricity. However, in order to satisfy growing demands for electricity that cannot currently be met through hydropower, the government may resort more often to fossil fuels (which currently provide less than nine percent of Brazil's electricity). In the transportation field, cars now use more ethanol than gasoline, though trucks and buses rely on diesel.

¶27. (U) Brazil has set a domestic target to reduce the deforestation rate by 80% by 2020. In international climate change negotiations, however, Brazil has been far less bold and innovative. Together with China and India, Brazil contends that only developed countries should be required to assume emission reduction targets. In addition to the overall architecture of an international climate agreement, Brazil has been very focused on issues like historical responsibility, burden-sharing, and how best to address offsets. Recently Brazil offered that it and other developing countries will register their Nationally Appropriate Mitigation Actions (NAMAs), which for Brazil could include projects to Reduce Deforestation and forest Degradation (REDD) and reforestation projects. While NAMAs

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would be monitored and verified, there would be no binding commitments about implementing them or what results they will produce. A growing number of voices in Brazil want the government to take a position of leadership on climate change: NGOs, governors, the Environment Ministry, and even some in the private sector. Although he has yet to persuade the Ministry of External Relations (which has the lead on climate change negotiations), Environment Minister Carlos Minc has said Brazil and other developing countries should take on emissions reductions targets in return for financial assistance and technology transfer. In early June, President Lula suggested in a Reuters interview that Brazil might be willing to take on emissions targets. President Lula and his closest advisor and his candidate for president, Minister Dilma Rousseff, have not been active in climate change positions before but could play a decisive role now. Rousseff could be instrumental in steering Brazil's international negotiating policy toward a more pro-active, ambitious course and away from the current cautious and defensive tack pursued by the Ministry of External Relations.

Security Cooperation: New Possibilities on the Horizon

¶28. (SBU) At President Lula's direction, Brazil has completed a new defense strategy document to set an overall course on security issues. Published on 17 December 2008, it has three main elements: modernization of the armed forces, revitalization of defense industries and implementation of a new regime of national service. It also increases the civilian control of the 10-year old Defense Ministry over the military services, particularly through control of the service budgets. For the Brazilian military, the key result of the strategy process has been the reintegration of defense goals into the country's overall development strategy and political dialogue, increasing prospects for greater resources to be devoted to national defense, under-resourced since the end of the military government over twenty years ago. The worldwide economic downturn has, however, affected Brazil; therefore, boosts to defense spending may be less than the military would consider ideal -- especially since Brazil's economy is showing signs of early recovery. The resurgence of the Brazilian military presents a unique opportunity to increase our bilateral cooperation and defense partnership.

¶29. (SBU) The first potential watershed in achieving a more robust defense relationship with Brazil will be the decision on a next generation fighter aircraft. Boeing's F-18 Super Hornet is a finalist along with the French Rafale and Swedish Gripen. A decision will likely be announced in early September 2009, with a final contract award in October. It would be difficult to overstate the significance of Brazil's Air Force committing to a U.S. aircraft as its primary fighter for the next generation. Boeing's proposal combines cutting-edge technology with a strong package of industrial cooperation. However, the French have strong political support, reinforced by Dassault's recent proposal to build the 36 Rafale fighters entirely in Brazil. The Brazilian MOD

and Air Force have stated clearly that benefits offered by Boeing must include substantial transfers of technology. Although the USG has already approved all relevant tech transfers and is working to assure the Brazilians that this is the case, Brazilian decision makers continue to doubt that the United States will transfer superior military technology to Brazil.

¶30. (U) In November 2008, we conducted the first Bilateral Working Group for Defense (BWG-D) in over six years, and it came at an ideal time with stronger leadership in the MOD that is truly interested in building our defense partnership.

One of the main goals was to agree that such meetings should continue regularly as an ongoing dialogue. We have followed up the BWG-D with a technology security dialogue which is looking to establish a channel for regular information exchanges on technology to demystify U.S. export controls and a means to address specific export control cases without political involvement.

¶31. (C) We are in the process of pursuing information sharing agreements with the Brazilian MOD that we believe will result in the signing of a GSOMIA this year. We have been stalled on our Defense Cooperation agreement (DCA) for over a year because of the Ministry of Exterior Relations (MRE) failure to take action and the MOD's unwillingness to

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expend political capital to push this. While this situation is unlikely to change, we should remind the Brazilians that the DCA is important for future partnership, especially as it can shorten the process of approval for various future cooperative activities. Brazil signed a large number of similar agreements last year, so ours will not be a precedent and could be seen in the context of normal friendly mil-mil relations. Southcom Commander General Doug Fraser made his first visit to Brazil (and the region) at the end of July, during which additional areas for possible cooperation were raised.

Nuclear Non-Proliferation and Nuclear Energy Issues

¶32. (C) With the return of democracy in both Brazil and Argentina, the two countries abandoned their nuclear weapons programs in 1990. In 1997, Brazil joined the Non-Proliferation Treaty (NPT). As late as mid-2008, despite growing resistance from the Ministry of Defense (MOD) some within the GOB were considering the possibility of signing an International Atomic Energy Agency (IAEA) Additional Protocol. In December 2008 the GoB adopted a new Defense Strategy that rejects accepting any new non-proliferation measures unless the nuclear powers disarm.⁸ This hardening of position by Brazil undercut USG efforts to have the Nuclear Suppliers Group (NSG) adopt a new rule regarding a criteria based procedure for transferring enrichment and reprocessing (ENR) technology, including the requirement that the recipient have an IAEA Additional Protocol in place. Brazil's opposition to an IAEA Additional Protocol has had the collateral effect of preventing Argentina from signing one, both for legal reasons (Brazil and Argentina are linked with the IAEA by the Quadpartite Agreement) and political grounds, not wanting to upset its large neighbor.

¶33. (C) Multilaterally, the GoB is cautious about taking an active role on non-proliferation and has consistently refused to take a strong position against Iran's nuclear efforts. Although the GoB has been careful to comply fully with UN sanctions against Iran and has asserted the importance of Iranian compliance with UN resolutions, the GOB has also stressed Iran's right (and that of all other countries) to develop nuclear energy for peaceful purposes. Citing efforts with North Korea, the GoB has made clear that it believes dialogue is the best option to ensure Iran is not a threat to the global community. North Korea's recent testing of a

nuclear device only delayed Brazil,s opening of an Embassy there temporarily. In discussions on non-proliferation, GoB officials frequently avoid supporting non-proliferation efforts by hiding behind shopworn protestations that the nuclear powers are not doing enough on disarmament ignoring progress being made in this area. DOE would like to see Brazil consider joining us in leading an initiative that President Obama first previewed in Prague, working with developing countries to establish models for pursuing peaceful civilian nuclear energy programs. The goal is to create a way for countries to responsibly develop civilian nuclear programs, thereby containing the risk of proliferation attendant with these programs. Minister Lobao indicated an openness to considering this idea during his recent meeting with Secretary Chu.

¶34. (C) Brazil has decided to revive its civilian nuclear energy program. Government-owned entities control every aspect of nuclear energy, from mining uranium, to building nuclear reactors, to owning, operating, and overseeing those reactors. Currently, two reactors at Angra dos Reis, south of Rio de Janeiro, are completed and operating. Westinghouse built Angra I, and Siemens constructed Angra II. Siemens stopped work on a third reactor (Angra III) in 1986, but work is scheduled to resume in September. Brazil plans to build 4 to 8 new reactors by 2030. The GOB has expressed interest in working with the United States as they move toward developing its nuclear sector. Westinghouse is a top competitor for the contracts for these new plants but must contend with strong commercial advocacy by France for Westinghouse,s main competitor. Westing house has qualified for USG advocacy and would welcome any words of support you can offer during your visit.

¶35. (C) The Brazilian Navy has revived its program to build a nuclear-powered submarine, based on the hull of a French conventional submarine. It is not clear whether the Navy will receive sufficient funding for this project, as the

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economic downturn has led defense spending to be cut from earlier projections. Further, the GOB will need to overcome significant technological hurdles. However, Brazilian leaders perceive a nuclear-powered sub as an essential trapping of great power status and are unlikely to abandon the program) even if its completion is remote. The GOB has been clear that it has no plans to seek nuclear weapons.

Brazilian Media and Public Attitudes toward the United States

¶36. (U) Public opinion polling shows the election of President Barack Obama has influenced views of the United States in a positive way. An Office of Research Opinion Analysis released in March 2009 found that seven in ten Brazilians believe the Obama presidency will be positive for Brazil and the world. Economically, Brazilians say their future lies with the United States and China. The July 23 Pew Global Attitudes Survey found that a majority of Brazilians hold a favorable view of the United States (61 percent) and believe President Obama will "do the right thing in world affairs (76 percent)," with 74 percent expecting that he will follow a multilateral approach to foreign policy. Nevertheless, while 59 percent of Brazilians think of the United States as more of a partner, 49 percent say that U.S. economic influence on their country is negative. The report also indicates that by a wide margin over other survey countries, Brazilians (90 percent) believe that global warming is a very serious problem.

¶37. (U) Brazilian journalists, generally speaking, cannot be described as "pro-U.S." Some may be favorably disposed toward the U.S. position on particular issues, such as free trade, and many are professional and evenhanded in their treatment of the United States, even if they do not

personally agree with U.S. policies. Some mainstream Brazilian opinion writers demonstrate biases against U.S. policies, though the trend has started to change with the election of President Obama. A small segment of the Brazilian public, including the elite, accepts the notion that the United States has a campaign to subjugate Brazil economically, undermine it culturally, and militarily occupy the Amazon. Such attitudes and beliefs have influenced Brazilian reporting and commentary on issues such as the reestablishment of the U.S. Navy's Fourth Fleet (which has been characterized as a threat to Brazil's offshore pre-salt finds) and U.S. activities in the Amazon. That said, the Brazilian media have reported favorably on U.S. efforts at this year's meeting of the General Assembly of the Organization of American States and the Summit of the Americas, and the Obama Administration overall, signaling a change in perspective with regards to U.S. intentions in Brazil and the region at large.

¶38. (C) Brazilians have shown particular sensitivity regarding a few key issues:

-- Fourth Fleet. The April 2008 announcement of the reactivation of the Fourth Fleet caught Brazil by surprise and provoked much negative commentary. Even many Brazilians not prone to accept the wild-eyed theories of U.S. intentions to invade the Amazon suspect that the announcement, coming as it did on the heels of the announcement that Brazil had discovered more oil off the Brazilian coast, could not have been a coincidence. While Brazilian military leaders now say they understand the reasons for the Fourth Fleet's standup, President Lula has recently stated again that it poses some threat to Brazil. Lula's statement was pure domestic politics, and his advisors have assured us that he understands the true nature and purpose of the Fourth Fleet. Nonetheless, the episode both demonstrates and has heightened Brazilian sensitivities with regard to U.S. military actions in the region.

-- Oil Field Discoveries. In a similar vein, discoveries of oil off Brazil's coast have been cited as justifications for increasing Brazil's navy -- even to include a nuclear-powered submarine. While the oil finds will almost certainly increase Brazil's future prosperity, we should seek to turn the strategic dialogue in Brazil away from fantasies that another country--potentially the United States--would try to seize the oil fields to a productive discussion of energy security and the importance of maintaining freedom of the seas.

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-- The Amazon. There is a portion of the Brazilian population, and military, convinced the United States has nefarious designs on the Amazon. Fortunately, the rabid ultra-nationalists are in the minority, but fears are stoked by continuing circulation of the internet hoax about a supposed U.S. social studies textbook which shows a map of the Amazon overlaid with the words "International Territory." The issue remains current: it was raised with Ambassador Sobel in an interview published this week.

-- Terrorism. Officially, Brazil does not have terrorism inside its borders. In reality, several Islamic groups with known or suspected ties to extremist organizations have branches in Brazil and are suspected of carrying out financing activities. Although there is good working-level law enforcement cooperation between the U.S. and Brazil on terrorism related activities, the official position of the government is to deny that Brazil has any terrorist activity.

-- Tri-Border Area (TBA). Related to the above, Brazilians are wary of U.S. officials who say "terrorism" and "TBA" in the same sentence. A frequent Brazilian retort to comments about the TBA is, "Which one? We have nine tri-border areas." As we are generally unable to share intelligence

regarding terrorism-related activities, the USG is regularly accused of unsupported assertions that malign TBA residents and have a negative impact on tourism in the region. The GOB often asserts there is no proven terrorist activity in the TBA.

-- Indigenous lands. The GOB is extremely sensitive about USG activities with the indigenous because of continuing tensions over demarcation of indigenous lands. The executive branch, courts, military, religious groups, non-governmental organizations, and large farming interests have all been caught up in the last few years in the various disputes over demarcation of indigenous lands. The trial of a wealthy farmer for the murder of American nun Dorothy Stang, almost certainly the result of her activities to protect indigenous lands, continues to move through the courts.

SOBEL